

AMENDED IN ASSEMBLY JULY 5, 2001

AMENDED IN SENATE MAY 16, 2001

SENATE BILL

No. 501

**Introduced by Committee on Public Employment and
Retirement (Senators Soto (Chair), Karnette, and Ortiz)**

February 22, 2001

An act to amend Sections 22119.2, 22138.6, 22151, 22352, 22664, 22820, 22900, 24001, 24001.5, 24101, 24203.5, 24203.6, 24209, 24211, 24212, 24255, 24260, 24300.5, 24307, 24402, 24404, 24410.6, 25011, 25014, 25015, 25018, 25019, 25021, 25925, 25930, 25940, 26401, 26807, 26906, 26911, 27007, and 27008 of, to amend the heading of Chapter 4 (commencing with Section 25940) of Part 13.5 of Division 1 of, to amend and renumber the heading of Article 6 (commencing with Section 25024) of Chapter 38 of Part 13 of Division 1 of, to add ~~Section 25926~~ *Sections 22811, 25921, 25925, and 25926* to, to repeal Section 22136.5 of, and to repeal and add Section 27004 of, the Education Code, and to amend Sections 22878.2 and 22878.3 of the Government Code, relating to state teachers' retirement.

LEGISLATIVE COUNSEL'S DIGEST

SB 501, as amended, Committee on Public Employment and Retirement. State teachers' retirement.

(1) The Teachers' Retirement Law defines "creditable compensation," "full-time equivalent," and "overtime" for purposes of calculating benefits under that law.

This bill would make technical changes to those definitions.

(2) The Teachers' Retirement Law provides an optional, alternative method for calculating the final compensation, for purposes of benefits

under that law, applicable to a member whose salary was reduced due to a reduction in school funds.

This bill would repeal that provision.

(3) Existing law requires the Teacher's Retirement Board to provide a specified annual report to, among others, the Joint Public Pension Fund Investments Committee.

This bill would delete the reference to that committee.

(4) Existing law prescribes service and disability benefits for members of the Defined Benefit Program of the State Teacher's Retirement Plan, which benefits are calculated, in part, based upon the member's credited service; however, with respect to certain benefit calculations, specified types of credited service, such as credit for unused sick leave, are excluded.

This bill would additionally exclude from those benefit calculations service credited for *an* unused leave of ~~absences~~ *absence* for education, as specified.

(5) The Teacher's Retirement Law prescribes contribution rates, service and disability retirement benefits, *survivor benefits, and benefits for former spouses of members*, and establishes a replacement benefits, ~~survivor benefits, and benefits for former spouses of members~~, program for members of the Defined Benefit Program and the Cash Balance Benefit Program of the State Teachers' Retirement Plan.

This bill would make technical and clarifying changes to those provisions.

(6) *Existing law authorizes members of the Defined Benefit Program of the State Teachers' Retirement Plan to elect to receive service credit for various types of nonqualified service, subject to the payment of certain contributions, or to elect to redeposit previously refunded contributions, as specified.*

This bill would authorize the member to pay or redeposit those contributions by transferring funds from eligible retirement plans, subject to applicable federal and state laws.

(7) The Teachers' Retirement Law prescribes specified benefit increases applicable to retirement, disability, and other allowances, and to annuities payable under the Defined Benefit Supplement Program.

This bill would make those increases inapplicable to those annuities.

~~(7)–~~

(8) Existing law authorizes members and participants of the Defined Benefit Supplement Program and the Cash Balance Benefit Program of the State Teachers' Retirement Plan to elect from among several forms



of annuity payments. *Existing law provides that, upon election of an annuity under the Cash Balance Benefit Program, the credits in the participant's employee and employer accounts are transferred to the Annuitant Reserve.*

This bill would authorize members of the Defined Benefit Supplement Program to receive a lump-sum payment instead of annuity payments in specified circumstances; *The bill would provide, with respect to certain annuity payment options under of the Cash Balance Benefit Program, an increased payment if the participant's designated beneficiary predeceases the member;—and and provide that upon reemployment of a participant receiving a disability annuity, his or her employee and employer's accounts shall be credited, and the Annuitant Reserve reduced, by the actuarial equivalent of the participant's annuity. The bill would also make technical and clarifying changes to those provisions.*

~~(8)–~~

(9) Existing law requires the State Teachers' Retirement System to pay the premiums associated with Medicare Part A for members of the Defined Benefit Program who retired prior to January 1, 2001, and meet specified criteria. Existing law also authorizes the Teachers' Retirement Board to pay those premiums for certain members who retire on or after January 1, 2001, subject to certain findings by the board.

This bill would make technical and clarifying changes to those provisions.

~~(9)–~~

(10) Existing law provides that certain permanent or regular employees of a school or agency shall be subject to the Public Employees' Retirement System, provided they are not members of the State Teachers' Retirement System.

This bill would clarify that those employees shall be subject to the Public Employees' Retirement System if they are neither members nor participants of the State Teachers' Retirement Plan.

(11) *This bill would declare that if any other bill affects any code section contained in this bill, the provisions of that other bill shall prevail as to that code section, regardless of the date of enactment.*

Vote: majority. Appropriation: no. Fiscal committee: yes. State-mandated local program: no.



The people of the State of California do enact as follows:

SECTION 1. Section 22119.2 of the Education Code is amended to read:

22119.2. (a) “Creditable compensation” means salary and other remuneration payable in cash by an employer to a member for creditable service. Creditable compensation shall include:

(1) Money paid in accordance with a salary schedule based on years of training and years of experience for creditable service performed up to and including the full-time equivalent for the position in which the service is performed.

(2) For members not paid according to a salary schedule, money paid for creditable service performed up to and including the full-time equivalent for the position in which the service is performed.

(3) Money paid for the member’s absence from performance of creditable service as approved by the employer, except as provided in paragraph (7) of subdivision (b).

(4) Member contributions picked up by an employer pursuant to Section 22903 or 22904.

(5) Amounts deducted by an employer from the member’s salary, including deductions for participation in a deferred compensation plan; deductions for the purchase of annuity contracts, tax-deferred retirement plans, or other insurance programs; and deductions for participation in a plan that meets the requirements of Section 125, 401(k), or 403(b) of Title 26 of the United States Code.

(6) Money paid by an employer in addition to salary paid under paragraph (1) or (2) if paid to all employees in a class in the same dollar amount, the same percentage of salary, or the same percentage of the amount being distributed.

(7) Money paid in accordance with a salary schedule by an employer to an employee for achieving certification from a national board based, in part, on years of training or years of experience in teaching service, if the compensation is paid by the employer to all employees who achieved this certification.

(8) Any other payments the board determines to be “creditable compensation.”

(b) “Creditable compensation” does not mean and shall not include:

1 (1) Money paid for service performed in excess of the full-time
2 equivalent for the position.

3 (2) Money paid for overtime or summer school service, or
4 money paid for the aggregate service performed as a member of
5 the Defined Benefit Program in excess of one year of service credit
6 for any one school year.

7 (3) Money paid for service that is not creditable service
8 pursuant to Section 22119.5.

9 (4) Money paid by an employer in addition to salary paid under
10 paragraph (1) or (2) of subdivision (a) if not paid to all employees
11 in a class in the same dollar amount, the same percentage of salary,
12 or the same percentage of the amount being distributed, except as
13 provided in paragraph (7) of subdivision (a).

14 (5) Fringe benefits provided by an employer.

15 (6) Job-related expenses paid or reimbursed by an employer.

16 (7) Money paid for unused accumulated leave.

17 (8) Severance pay or compensatory damages or money paid to
18 a member in excess of salary as a compromise settlement.

19 (9) Annuity contracts, tax-deferred retirement programs, or
20 other insurance programs, including, but not limited to, plans that
21 meet the requirements of Section 125, 401(k), or 403(b) of Title
22 26 of the United States Code that are purchased by an employer for
23 the member and are not deducted from the member's salary.

24 (10) Any payments determined by the board to have been made
25 by an employer for the principal purpose of enhancing a member's
26 benefits under the Defined Benefit Program. An increase in the
27 salary of a member who is the only employee in a class pursuant
28 to subdivision (b) of Section 22112.5 that arises out of an
29 employer's restructuring of compensation during the member's
30 final compensation period shall be presumed to have been granted
31 for the principal purpose of enhancing benefits under the Defined
32 Benefit Program and shall not be creditable compensation. If the
33 board determines sufficient evidence is provided to the system to
34 rebut this presumption, the increase in salary shall be deemed
35 creditable compensation.

36 (11) Any other payments the board determines not to be
37 "creditable compensation."

38 (c) Any employer or person who knowingly or willfully reports
39 compensation in a manner inconsistent with subdivision (a) or (b)
40 shall reimburse the plan for any overpayment of benefits that

1 occurs because of that inconsistent reporting and may be subject
2 to prosecution for fraud, theft, or embezzlement in accordance
3 with the Penal Code. The system may establish procedures to
4 ensure that compensation reported by an employer is in
5 compliance with this section.

6 (d) The definition of “creditable compensation” in this section
7 is designed in accordance with sound funding principles that
8 support the integrity of the retirement fund. These principles
9 include, but are not limited to, consistent treatment of
10 compensation throughout the career of the individual member,
11 consistent treatment of compensation for an entire class of
12 employees, the prevention of adverse selection, and the exclusion
13 of adjustments to, or increases in, compensation for the principal
14 purpose of enhancing benefits.

15 (e) This section shall be deemed to have become operative on
16 July 1, 1996.

17 (f) This section shall become inoperative on July 1, 2002, if the
18 revenue limit cost-of-living adjustment computed by the
19 Superintendent of Public Instruction for the 2001–02 fiscal year
20 is equal to or greater than 3.5 percent. Otherwise this section shall
21 become inoperative on July 1, 2003 and as of January 1, 2004, this
22 section is repealed, unless a later enacted statute, that becomes
23 operative on or before January 1, 2004, deletes or extends the dates
24 on which it becomes inoperative and is repealed.

25 SEC. 2. Section 22136.5 of the Education Code is repealed.

26 SEC. 3. Section 22138.6 of the Education Code is amended
27 to read:

28 22138.6. “Full-time equivalent” means the days or hours of
29 creditable service that a person who is employed on a part-time
30 basis would be required to perform in a school year if he or she
31 were employed full time in that part-time position.

32 SEC. 4. Section 22151 of the Education Code is amended to
33 read:

34 22151. “Overtime” means the aggregate creditable service in
35 excess of one year (1.000) of creditable service that is performed
36 by a member in a school year.

37 SEC. 5. Section 22352 of the Education Code is amended to
38 read:

39 22352. (a) Upon a finding by the board that necessary
40 investment expertise is not available within existing civil service

1 classifications, and with the approval of the State Personnel Board,
2 the board may contract with qualified investment managers having
3 demonstrated expertise in the management of large and diverse
4 investment portfolios to render service in connection with the
5 investment program of the board.

6 (b) The board shall report to the Governor, the Legislature, and
7 the Joint Legislative Budget Committee on the nature, duration,
8 and cost of investment contract services used. The report shall first
9 be submitted in April 1987, and annually in April of every year
10 thereafter.

11 SEC. 6. Section 22664 of the Education Code is amended to
12 read:

13 22664. The nonmember spouse who is awarded a separate
14 account shall have the right to a service retirement allowance and,
15 if applicable, a retirement benefit under this part.

16 (a) The nonmember spouse shall be eligible to retire for service
17 under this part if the following conditions are satisfied:

18 (1) The member had at least five years of credited service
19 during the period of marriage, at least one year of which had been
20 performed subsequent to the most recent refund to the member of
21 accumulated retirement contributions. The credited service may
22 include service credited to the account of the member as of the date
23 of the dissolution or legal separation, previously refunded service,
24 out-of-state service, and permissive service credit that the member
25 is eligible to purchase at the time of the dissolution or legal
26 separation.

27 (2) The nonmember spouse has at least two and one-half years
28 of credited service in his or her separate account.

29 (3) The nonmember spouse has attained the age of 55 years or
30 more.

31 (b) A service retirement allowance of a nonmember spouse
32 under this part shall become effective upon any date designated by
33 the nonmember spouse, provided:

34 (1) The requirements of subdivision (a) are satisfied.

35 (2) The nonmember spouse has filed an application for service
36 retirement on a form provided by the system, that is executed no
37 earlier than six months before the effective date of the retirement
38 allowance.

39 (3) The effective date is no earlier than the first day of the
40 month in which the application is received at the system's office

in Sacramento and the effective date is after the date the judgment or court order pursuant to Section 22652 was entered.

(c) (1) Upon service retirement at normal retirement age under this part, the nonmember spouse shall receive a retirement allowance that shall consist of an annual allowance payable in monthly installments equal to 2 percent of final compensation for each year of credited service.

(2) If the nonmember spouse's retirement is effective at less than normal retirement age and between early retirement age under this part and normal retirement age, the retirement allowance shall be reduced by one-half of 1 percent for each full month, or fraction of a month, that will elapse until the nonmember spouse would have reached normal retirement age.

(3) If the nonmember spouse's service retirement is effective at an age greater than normal retirement age and is effective on or after January 1, 1999, the percentage of final compensation for each year of credited service shall be determined pursuant to the following table:

Age at Retirement	Percentage
60 $\frac{1}{4}$	2.033
60 $\frac{1}{2}$	2.067
60 $\frac{3}{4}$	2.10
61	2.133
61 $\frac{1}{4}$	2.167
61 $\frac{1}{2}$	2.20
61 $\frac{3}{4}$	2.233
62	2.267
62 $\frac{1}{4}$	2.30
62 $\frac{1}{2}$	2.333
62 $\frac{3}{4}$	2.367
63 and over	2.40

(4) In computing the retirement allowance of the nonmember spouse, the age of the nonmember spouse on the last day of the month in which the retirement allowance begins to accrue shall be used.

(5) Final compensation, for purposes of calculating the service retirement allowance of the nonmember spouse under this subdivision, shall be calculated according to the definition of final

1 compensation in Section 22134, 22134.5, 22135, or 22136,
2 whichever is applicable, and shall be based on the member's
3 compensation earnable up to the date the parties separated, as
4 established in the judgment or court order pursuant to Section
5 22652. The nonmember spouse shall not be entitled to use any
6 other calculation of final compensation.

7 (d) If the member is or was receiving a disability allowance
8 under this part with an effective date before or on the date the
9 parties separated as established in the judgment or court order
10 pursuant to Section 22652, or at any time applies for and receives
11 a disability allowance with an effective date that is before or
12 coincides with the date the parties separated as established in the
13 judgment or court order pursuant to Section 22652, the
14 nonmember spouse shall not be eligible to retire until after the
15 disability allowance of the member terminates. If the member who
16 is or was receiving a disability allowance returns to employment
17 to perform creditable service subject to coverage under the
18 Defined Benefit Program or has his or her allowance terminated
19 under Section 24015, the nonmember spouse may not be paid a
20 retirement allowance until at least six months after termination of
21 the disability allowance and the return of the member to
22 employment to perform creditable service subject to coverage
23 under the Defined Benefit Program, or the termination of the
24 disability allowance and the employment or self-employment of
25 the member in any capacity, notwithstanding Section 22132. If at
26 the end of the six-month period, the member has not had a
27 recurrence of the original disability or has not had his or her
28 earnings fall below the amounts described in Section 24015, the
29 nonmember spouse may be paid a retirement allowance if all other
30 eligibility requirements are met.

31 (1) The retirement allowance of the nonmember spouse under
32 this subdivision shall be calculated as follows: the disability
33 allowance the member was receiving, exclusive of the portion for
34 dependent children, shall be divided between the share of the
35 member and the share of the nonmember spouse. The share of the
36 nonmember spouse shall be the amount obtained by multiplying
37 the disability allowance, exclusive of the portion for dependent
38 children, by the years of service credited to the separate account
39 of the nonmember spouse, including service projected to the date
40 of separation, and dividing by the projected service of the member.

1 The nonmember spouse's retirement allowance shall be the lesser
2 of the share of the nonmember spouse under this subdivision or the
3 retirement allowance under subdivision (c).

4 (2) The share of the member shall be the total disability
5 allowance reduced by the share of the nonmember spouse. The
6 share of the member shall be considered the disability allowance
7 of the member for purposes of Section 24213.

8 (e) The nonmember spouse who receives a retirement
9 allowance is not a retired member under this part. However, the
10 allowance of the nonmember spouse shall be increased by
11 application of the improvement factor and shall be eligible for the
12 application of supplemental increases and other benefit
13 maintenance provisions under this part, including, but not limited
14 to, Sections ~~24203.5, 24203.6~~, 24411, 24412, and 24415 based on
15 the same criteria used for the application of these benefit
16 maintenance increases to the service retirement allowances of
17 members.

18 SEC. 7. *Section 22811 is added to the Education Code, to*
19 *read:*

20 22811. *Pursuant to terms and conditions established by the*
21 *board, members may transfer funds from eligible retirement plans*
22 *into the Teachers' Retirement Fund to purchase service credit or*
23 *redeposit previously refunded contributions pursuant to this*
24 *chapter, Chapter 14.2 (commencing with Section 22820), Chapter*
25 *14.5 (commencing with Section 22850), and Chapter 19*
26 *(commencing with Section 23200), to the extent that the transfer*
27 *is allowable under, and is completed in a manner prescribed by,*
28 *applicable federal and state law and any related regulations.*

29 SEC. 8. *Section 22820 of the Education Code is amended to*
30 *read:*

31 22820. (a) A member, other than a retired member, may elect
32 to purchase out-of-state service credited in a public retirement
33 system for service covering public education in another state or
34 territory of the United States or by the United States for its citizens.
35 In no event shall the member receive credit for this service if the
36 member has credit or is eligible to receive credit for the same
37 service in the Cash Balance Benefit Program under Part 14
38 (commencing with Section 26000) or another public retirement
39 system, excluding social security.

(b) The amount of out-of-state service for which a member may purchase credit may not exceed the number of years of service credited to the member in the out-of-state retirement system or 10 years, whichever is less.

(c) Out-of-state service credit may be purchased under this section by means of any of the following actions:

(1) Paying an amount equal to the amount refunded from the other public retirement system and receiving service credit under the Defined Benefit Program pursuant to subdivision (a) of Section 22823.

(2) Paying the contributions required under the Defined Benefit Program pursuant to subdivision (a) of Section 22823 for the service credited in the other public retirement system.

(3) Paying an amount equal to the amount refunded from the other public retirement system and an additional amount in accordance with subdivision (a) of Section 22823 for the service credited in the other public retirement system.

~~(d) Contributions made to a plan qualified under Section 403(b) of the Internal Revenue Code may not be used to purchase credit for out-of-state service.~~

~~(e)~~ Compensation for out-of-state service shall not be used in determining the highest average annual compensation earnable when calculating final compensation.

~~(f)~~

(e) The service credit purchased under this section shall not be used to meet the eligibility requirements for benefits provided under Sections 24001 and 24101.

SEC. 9. Section 22900 of the Education Code is amended to read:

22900. By accepting employment to perform creditable service, a person consents to make contributions pursuant to Section 22901 for service and compensation credited under this part.

~~SEC. 8.~~

SEC. 10. Section 24001 of the Education Code is amended to read:

24001. (a) A member may apply for a disability allowance under the Defined Benefit Program if the member has five or more years of credited service and if all of the following requirements are met:

1 (1) At least four years were credited for actual performance of
2 service subject to coverage under the Defined Benefit Program.
3 Credit received because of workers' compensation payments shall
4 be counted toward the four-year requirement in accordance with
5 Section 22710.

6 (2) The last five years of credited service were performed in
7 this state.

8 (3) At least one year was credited for service performed
9 subsequent to the date on which the member terminated the service
10 retirement allowance under Section 24208.

11 (4) At least one year was credited for service performed
12 subsequent to the most recent refund of accumulated retirement
13 contributions.

14 (5) The member has neither attained normal retirement age, nor
15 possesses sufficient unused sick leave days to receive creditable
16 compensation on account of sick leave to normal retirement age.

17 (6) The member is not applying for a disability allowance
18 because of a physical or mental condition known to exist at the
19 time the most recent membership in the Defined Benefit Program
20 commenced and remains substantially unchanged at the time of
21 application.

22 (b) Nothing in subdivision (a) shall affect the right of a member
23 to a disability allowance under this part if the reason that the
24 member is credited with less than four years of actual service
25 performed subject to coverage under the Defined Benefit Program
26 is due to an on-the-job injury or a disease that occurred while the
27 member was employed and the four-year requirement can be
28 satisfied by credit obtained under Chapter 14 (commencing with
29 Section 22800) or Chapter 14.5 (commencing with Section 22850)
30 in addition to any credit received from workers' compensation
31 payments.

32 (c) Nothing in subdivision (a) shall affect the right of a member
33 under this part who has less than five years of credited service to
34 a disability allowance providing the member has at least one year
35 of credited California service and if the reason for the disability is
36 due to an unlawful act of bodily harm committed by another
37 human being on the person of the member while the member was
38 performing his or her official duties in a position subject to
39 coverage under the Defined Benefit Program.

40 ~~SEC. 9.~~

1 *SEC. 11.* Section 24001.5 of the Education Code is amended
2 to read:

3 24001.5. A member shall not be eligible for a disability
4 allowance under the Defined Benefit Program while on a leave of
5 absence to serve as a full-time elected officer of an employee
6 organization, even if the member receives service credit under
7 Section 22711.

8 ~~SEC. 10.~~

9 *SEC. 12.* Section 24101 of the Education Code is amended to
10 read:

11 24101. (a) A member may apply for a disability retirement
12 under this part if the member has five or more years of credited
13 service and if all of the following requirements are met:

14 (1) At least four years were credited for actual service
15 performed subject to coverage under the Defined Benefit
16 Program. Credit received because of workers' compensation
17 payments shall be counted toward the four-year requirement in
18 accordance with Section 22710.

19 (2) The last five years of credited service were performed in
20 this state.

21 (3) At least one year (1.000) of credited service was earned
22 subsequent to the date on which the member terminated the service
23 retirement allowance under Section 24208.

24 (4) At least one year (1.000) of credited service was earned
25 subsequent to the date on which the member's disability allowance
26 was terminated.

27 (5) At least one year (1.000) of credited service was earned
28 subsequent to the most recent refund of accumulated retirement
29 contributions.

30 (6) The member is not applying for a disability retirement
31 because of a physical or mental condition known to exist at the
32 time the most recent membership in the Defined Benefit Program
33 commenced and that remains substantially unchanged at the time
34 of application.

35 (b) Nothing in subdivision (a) shall affect the right of a member
36 to a disability retirement if the reason that the member has
37 performed less than four years of actual service is due to an
38 on-the-job injury or a disease while in employment subject to
39 coverage by the Defined Benefit Program and the four-year
40 requirement can be satisfied by credit obtained under Chapter 14

(commencing with Section 22800) or Chapter 14.5 (commencing with Section 22850) in addition to any credit received from workers' compensation payments.

(c) Nothing in subdivision (a) shall affect the right of a member who has less than five years of credited service to a disability retirement allowance providing the member has at least one year of credited California service and if the reason for the disability is due to an unlawful act of bodily harm committed by another human being on the person of the member while the member was performing his or her official duties in a position subject to coverage under the Defined Benefit Program.

~~SEC. 11.~~

SEC. 13. Section 24203.5 of the Education Code is amended to read:

24203.5. (a) The percentage of final compensation used to compute the allowance pursuant to Section 24202.5, 24203, or 24205 of a member retiring on or after January 1, 1999, who has 30 or more years of credited service, excluding service credited pursuant to Sections 22714, 22715, 22717, and 22717.5, shall be increased by two-tenths of 1 percentage point, provided that the sum of the percentage of final compensation used to compute the allowance in Section 24202.5, 24203, or 24205, including any adjustments for retiring before the normal retirement age, and the additional percentage provided by this section does not exceed 2.40 percent. For purposes of establishing eligibility for the increased allowance pursuant to this section only, credited service shall include credited service that a court has ordered be awarded to a nonmember spouse pursuant to Section 22652. A nonmember spouse shall also be eligible for the increased allowance pursuant to this section if the member had 30 or more years of credited service on the date the parties separated, as established in the judgment or court order pursuant to Section 22652.

(b) Nonqualified service credit for which contributions pursuant to Section 22826 were made in a lump sum on or after January 1, 2000, or for which the first installment was made on or after January 1, 2000, shall not be included in determining the eligibility for an increased allowance pursuant to this section.

(c) The amendments made to subdivision (a) in the first year of the 1999–2000 Regular Session are declaratory of existing law.

~~SEC. 12.~~

SEC. 14. Section 24203.6 of the Education Code is amended to read:

24203.6. (a) In addition to the amount otherwise payable pursuant to ~~this chapter~~ Sections 24202.5, 24203, 24203.5, 24205, 24209.5, 24210, 24211, and 24212, a member who (1) retires for service on or after January 1, 2001, (2) has, prior to January 1, 2011, 30 or more years of credited service, excluding service credited pursuant to Sections 22714, 22715, 22717, 22717.5, and 22826 but including any credited service that a court has ordered be awarded to a nonmember spouse pursuant to Section 22652, and (3) is receiving an allowance subject to Section 24203.5, shall receive a monthly increase in the allowance, prior to any modification pursuant to Sections 24300 and 24309, in the amount identified in the following schedule for the number of years of the member's credited service at the time of retirement, excluding service credited pursuant to Sections 22714, 22715, 22717, 22717.5, and 22826 but including any credited service that a court has ordered be awarded to a nonmember spouse pursuant to Section 22652:

30 years of credited service	\$200
31 years of credited service	\$300
32 or more years of credited service	\$400

(b) This section also shall apply to a nonmember spouse, if the member is eligible for the allowance increase pursuant to subdivision (a) upon his or her retirement for service and had at least 30 years of credited service, excluding service credited pursuant to Sections 22714, 22715, 22717, 22717.5, and 22826, on the date the parties separated, as established in the judgment or court order pursuant to Section 22652.

(c) If the service credit of a member was divided into separate accounts in the name of a member and a nonmember spouse by a court pursuant to Section 22652, the amount payable pursuant to this section, that is based on the service credited during the marriage, shall also be divided and paid to the member and the nonmember spouse proportionately according to the respective percentages of the member's service credit that were allocated to the member and the nonmember spouse in the court's order.

(d) The allowance increase provided under this section shall not be subject to Sections 24415 and 24417, but shall be subject to Section 22140.

~~SEC. 13.~~

SEC. 15. Section 24209 of the Education Code is amended to read:

24209. (a) Upon retirement for service following reinstatement, the member shall receive a service retirement allowance equal to the sum of both of the following:

(1) An amount equal to the monthly allowance the member was receiving immediately preceding reinstatement, exclusive of any amounts payable pursuant to Section 22714 or 22715, increased by the improvement factor that would have been applied to the allowance if the member had not reinstated.

(2) An amount calculated pursuant to Section 24202, 24202.5, 24203, 24203.5, or 24206 on service credited subsequent to the most recent reinstatement, the member's age at retirement, and final compensation.

(b) If the total amount of credited service, other than that accrued pursuant to Sections 22714, 22715, 22717, 22717.5, and 22826, is equal to or greater than 30 years, the amounts identified in paragraphs (1), for members who initially retired on or after January 1, 1999, and (2) of subdivision (a) shall be calculated pursuant to Section 24203.5.

(c) If the total amount of credited service, other than that accrued pursuant to Sections 22714, 22715, 22717, 22717.5, and 22826, is equal to or greater than 30 years, upon retirement for service following reinstatement, a member who retired pursuant to Section 24213, and received the terminated disability allowance for the prior retirement, shall receive a service retirement allowance equal to the sum of the following:

(1) An amount based on the service credit accrued prior to the effective date of the disability allowance, the member's age at the prior retirement increased by the factor provided in Section 24203.5, and projected final compensation.

(2) An amount calculated pursuant to Section 24202, 24202.5, 24203.5, or 24206 on service credited subsequent to the reinstatement, the member's age at retirement, and final compensation.

~~SEC. 14.~~

1 *SEC. 16.* Section 24211 of the Education Code is amended to
2 read:

3 24211. When a member who has been granted a disability
4 allowance under this part after June 30, 1972, returns to
5 employment subject to coverage under the Defined Benefit
6 Program and performs:

7 (a) Less than three years of creditable service after termination
8 of the disability allowance, the member shall receive a retirement
9 allowance which is the sum of the allowance calculated on service
10 credit accrued after the termination date of the disability
11 allowance, the age of the member on the last day of the month in
12 which the retirement allowance begins to accrue, and final
13 compensation using compensation earnable and projected final
14 compensation, plus the greater of either of the following:

15 (1) A service retirement allowance calculated on service credit
16 accrued as of the effective date of the disability allowance, the age
17 of the member on the last day of the month in which the retirement
18 allowance begins to accrue, and projected final compensation
19 excluding service credited pursuant to Sections 22717 and
20 22717.5 or Chapter 14 (commencing with Section 22800) or
21 Chapter 14.2 (commencing with Section 22820), to the
22 termination date of the disability allowance.

23 (2) The disability allowance the member was receiving
24 immediately prior to termination of that allowance, excluding
25 children's portions.

26 (b) Three or more years of creditable service after termination
27 of the disability allowance, the member shall receive a retirement
28 allowance that is the greater of the following:

29 (1) A service retirement allowance calculated on all actual and
30 projected service excluding service credited pursuant to Sections
31 22717 and 22717.5 or Chapter 14 (commencing with Section
32 22800) or Chapter 14.2 (commencing with Section 22820), the age
33 of the member on the last day of the month in which the retirement
34 allowance begins to accrue, and final compensation using
35 compensation earnable, or projected final compensation, or a
36 combination of both.

37 (2) The disability allowance the member was receiving
38 immediately prior to termination of that allowance, excluding
39 children's portions.

(c) The allowance shall be increased by an amount based on any service credited pursuant to Sections 22714, 22715, 22717, and 22717.5 or Chapter 14 (commencing with Section 22800) or Chapter 14.2 (commencing with Section 22820) and final compensation using compensation earnable, or projected final compensation, or a combination of both.

(d) If the total amount of credited service, other than projected service or service that accrued pursuant to Sections 22714, 22715, 22717, 22717.5, and 22826, is equal to or greater than 30 years, the amounts identified in subdivisions (a) and (b) shall be calculated pursuant to Sections 24203.5 and 24203.6.

~~SEC. 15.~~

SEC. 17. Section 24212 of the Education Code is amended to read:

24212. (a) If a disability allowance granted under this part after June 30, 1972, is terminated for reasons other than those specified in Section 24213 and the member does not return to employment subject to coverage under the Defined Benefit Program, the member's service retirement allowance, when payable, shall be based on projected service, excluding service credited pursuant to Sections 22717 and 22717.5 or Chapter 14 (commencing with Section 22800) or Chapter 14.2 (commencing with Section 22820), projected final compensation, and the age of the member on the last day of the month in which the retirement allowance begins to accrue. The allowance payable under this section, excluding annuities payable from accumulated annuity deposit contributions, shall not be greater than the terminated disability allowance excluding children's portions.

(b) The allowance shall be increased by an amount based on any service credited pursuant to Sections 22714, 22715, 22717, and 22717.5 or Chapter 14 (commencing with Section 22800) or Chapter 14.2 (commencing with Section 22820) and final compensation using compensation earnable, or projected final compensation, or a combination of both.

~~SEC. 16.~~

SEC. 18. Section 24255 of the Education Code is amended to read:

24255. (a) There is in the State Treasury a trust fund to be known as the Teachers' Replacement Benefits Program Fund. There shall be deposited directly in that fund, and not transferred

from the Teachers' Retirement Fund, that portion of employer contributions determined by the board as necessary to fund the replacement benefits program.

(b) Notwithstanding Section 13340 of the Government Code, moneys in the Teachers' Replacement Benefits Program Fund are continuously appropriated without regard to fiscal years to pay benefits to members and beneficiaries of the Defined Benefit Program, and to pay related administrative expenses.

(c) The board may authorize the transfer and disbursement of funds from the Teachers' Replacement Benefits Program Fund for the purpose of carrying into effect this chapter upon the signature of either or both of its chairperson and vice chairperson or the chief executive officer or any employee of the system designated by the chief executive officer.

(d) Disbursements of money from the Teachers' Replacement Benefits Program Fund of whatever nature shall be made upon claims duly audited in the manner prescribed for the disbursement of other public funds except that, notwithstanding the foregoing, disbursements may be made to return funds deposited in the fund in error.

~~SEC. 17.~~

SEC. 19. Section 24260 of the Education Code is amended to read:

24260. (a) A replacement benefits program is hereby established under this chapter for the exclusive purpose of providing to members or their beneficiaries in accordance with subdivisions (c) and (d) that portion of the annual benefit of the member or the member's beneficiaries otherwise payable under the provisions of this part that exceeds the limitations on the dollar amount of annual benefit under Section 415 of the Internal Revenue Code of 1986 (26 U.S.C. Sec. 415) as applicable to a governmental plan, as defined in subdivision (d) of Section 414.

(b) The replacement benefits program established by this chapter is intended to comply with the provisions of Section 415(m) of the Internal Revenue Code of 1986 (26 U.S.C. Sec. 415(m)).

(c) In any case in which (1) the annual benefit of the member or the member's beneficiaries for the calendar year otherwise payable under the terms of this part, as measured under the provisions of Section 415(b)(2) of the Internal Revenue Code of

1 1986 (26 U.S.C. Sec. 415(b)(2)) and adjusted to exclude the
2 portion of the annual benefit attributable to employee
3 contributions that are not “picked up” under Section 414(h)(2) of
4 the Internal Revenue Code of 1986 (26 U.S.C. Sec. 414(h)(2)) or
5 attributable to rollover contributions described in Section
6 415(b)(2) of the Internal Revenue Code of 1986, exceeds (2) the
7 limitation on the dollar amount of an annual benefit applicable for
8 the calendar year under Section 415(b)(1)(A) or subdivision (e) as
9 applicable to a governmental plan, as defined in Section 414(d) of
10 the Internal Revenue Code of 1986 (26 U.S.C. Sec. 414(d)), the
11 amount of the portion of the annual benefit shall be paid to the
12 member or the member’s beneficiaries under the replacement
13 benefit program in the manner described in subdivision (d). In no
14 event shall the portion of the annual benefit from the replacement
15 benefits program be payable from the assets of the Teachers’
16 Retirement Fund. In no event shall the replacement benefits
17 program provide to the member or the member’s beneficiaries,
18 directly or indirectly, any election to defer compensation.

19 (d) Any portion of the annual benefit of a member or the
20 member’s beneficiaries for the year described in subdivision (c)
21 shall be payable, at the same time and in the same form as the
22 remainder of the annual benefit and subject to the terms and
23 conditions of this part except as otherwise provided under this
24 section, from the proceeds of the employer contributions due
25 under Section 22950, and, notwithstanding Section 22956, prior
26 to the deposit of those employer contributions in the State Treasury
27 to the Teachers’ Retirement Fund. Upon receipt of the warrants for
28 the employer contributions as described in Section 23001, the
29 board shall retain and place in the Teachers’ Replacement Benefits
30 Program Fund only the amounts of employer contributions as are
31 necessary for the exclusive purpose of paying currently the
32 monthly installment next due of the portion of the annual benefit
33 payable from the replacement benefits program to the member or
34 the member’s beneficiaries as well as any administrative expenses
35 associated with the replacement benefits program. Amounts shall
36 not be accumulated in the Teachers’ Replacement Benefits
37 Program Fund for the payment of future benefits, and a member
38 or the member’s beneficiaries who are to receive the portion of his
39 or her annual benefit under the replacement benefits program shall



1 have no entitlement to amounts in the Teachers' Replacement
2 Benefits Program Fund until distributed to him or her as a benefit.

3 (e) The portion of the annual benefit payable under the
4 replacement benefits program shall be subject to withholding for
5 any applicable income or employment taxes.

6 (f) The administrative expenses of the replacement benefits
7 program may include the employer portion of the Medicare
8 payroll tax on the replacement benefits program payments of a
9 retired member who is required to contribute to Medicare. The
10 employee portion of the Medicare payroll tax on the replacement
11 benefits program payments to retired members in this program
12 who are required to contribute to Medicare shall be withheld from
13 the replacement benefits program payments to the retired member.

14 (g) The board may by plan amendment amend the terms of the
15 replacement benefits program established under this section as
16 appropriate to comply with applicable federal or state law.

17 (h) All references to sections of the Internal Revenue Code of
18 1986 are to those sections as are amended from time to time or their
19 successor sections.

20 ~~SEC. 18.~~

21 *SEC. 20.* Section 24300.5 of the Education Code is amended
22 to read:

23 24300.5. An option beneficiary who is receiving an allowance
24 pursuant to the option elected by the member may designate a
25 beneficiary to receive any allowance that has accrued and is
26 unpaid, and any remaining balance of the retired member's
27 accumulated retirement contributions payable pursuant to Section
28 23881, upon the death of the option beneficiary.

29 ~~SEC. 19.~~

30 *SEC. 21.* Section 24307 of the Education Code is amended to
31 read:

32 24307. (a) A member who qualifies to apply for retirement
33 under Section 24201 or 24203 may make a preretirement election
34 of an option, as provided in Section 24300 without right of
35 revocation or change after the effective date of retirement, except
36 as provided in this part. The preretirement election of an option
37 shall become effective on the date a properly executed form
38 prescribed by the system is signed, providing the election is
39 received in the system's office in Sacramento within 30 days after
40 the date of signature.

(b) A member who makes a preretirement election of an Option 2, Option 3, Option 4, Option 5, Option 6, or Option 7 may subsequently make a preretirement election of Option 8. The member may retain the same option and the same option beneficiary as named in the prior preretirement election, as an option under Option 8.

(c) Upon the member's death prior to the effective date of retirement, the beneficiary who was designated under the option elected and who survives shall receive an allowance calculated under the option, under the assumption that the member retired for service pursuant to ~~Section 24202, 24202.5, 24203, 24203.5, 24203.6, 24206, 24209, 24210, 24211, or 24212 on the date of service pursuant to Chapter 27 (commencing with Section 24201) on the date of death.~~ The payment of the allowance to the option beneficiary shall be in lieu of the family allowance provided in Section 23804, the payment provided in paragraph (1) of subdivision (a) of Section 23802, the survivor benefit allowance provided in Section 23854, and the payment provided in subdivisions (a) and (b) of Section 23852, except that if the beneficiary dies before all of the member's accumulated retirement contributions are paid, the balance, if any, shall be paid to the estate of the person last receiving or entitled to receive the allowance. The accumulated annuity deposit contributions and the death payment provided in Sections 23801 and 23851 shall be paid to the beneficiary in a lump sum.

(d) If the member subsequently retires for service, and the elected option has not been canceled pursuant to Section 24309, a modified service retirement allowance computed under Section 24300 and the option elected shall be paid.

(e) The amount of the service retirement allowance prior to applying the option factor shall be calculated as of the earlier of the member's age at death before retirement or age on the last day of the month in which the member requested service retirement be effective. The modification of the service retirement allowance under the option elected shall be based on the ages of the member and the beneficiary designated under the option, as of the date the election was signed.

(f) A member who terminates the service retirement allowance pursuant to Section 24208 shall not be eligible to file a

1 preretirement election of an option until one calendar year elapses
2 from the date the allowance is terminated.

3 (g) The system shall inform members who are qualified to
4 make a preretirement election of an option, through the annual
5 statements of account, that the election of an option can be made.

6 (h) This section shall become operative on January 1, 2000.

7 ~~SEC. 20.~~

8 *SEC. 22.* Section 24402 of the Education Code is amended to
9 read:

10 24402. (a) Service retirement allowances, disability
11 allowances, disability retirement allowances, family allowances,
12 and survivor benefit allowances payable pursuant to this part shall
13 be increased by application of the benefit improvement factor.

14 (b) Allowances payable to beneficiaries on account of options
15 elected under Section 24300, 24301, or 24307 shall be increased
16 by application of the improvement factor. This factor shall be
17 applicable on the same date when it would have been applied to the
18 allowance of the deceased person.

19 (c) The benefit improvement factor shall not be applied to an
20 annuity that is the actuarial equivalent of the accumulated annuity
21 deposit contributions standing to the credit of the member's
22 account on the effective date of a service or disability retirement.

23 ~~SEC. 21.~~

24 *SEC. 23.* Section 24404 of the Education Code is amended to
25 read:

26 24404. (a) Effective July 1, 1973, the benefits of persons
27 eligible for survivor benefits pursuant to former Section 14186 as
28 it read on June 30, 1972, shall be increased as follows:

29 (1) Those eligible for ninety dollars (\$90) per month shall be
30 increased to one hundred five dollars (\$105) per month.

31 (2) Those eligible for one hundred eighty dollars (\$180) per
32 month shall be increased to two hundred ten dollars (\$210) per
33 month.

34 (3) Those eligible for two hundred fifty dollars (\$250) per
35 month shall be increased to two hundred ninety-five dollars (\$295)
36 per month.

37 (b) These benefits shall be subject to the provisions of Sections
38 22140 and 24403 with the first annual improvement to occur on
39 September 1, 1974, and annually thereafter.

40 ~~SEC. 22.~~

1 *SEC. 24.* Section 24410.6 of the Education Code is amended
2 to read:

3 24410.6. (a) Notwithstanding any provision of this part,
4 including, but not limited to, subdivision (e) of Section 22664, and
5 except as provided in subdivisions (b) and (c), the annual
6 allowance payable on the effective date of this section to a retired
7 member, an option beneficiary, or a surviving spouse receiving an
8 allowance pursuant to either Section 23805 or 23855 shall not be
9 less than the amount identified in the following schedule for the
10 number of years of the member's credited service under the
11 Defined Benefit Program at the time of the member's retirement,
12 disability, or death, excluding service credited pursuant to
13 Sections 22714, 22715, 22717, and 22826, after the application of
14 all allowances and allowance increases authorized by this part,
15 including those specified in Sections 24412 and 24415, as those
16 sections read on December 31, 2000, and excluding increases
17 authorized by Section 24410.7 and annuities payable from the
18 accumulated annuity deposit contributions or the accumulated
19 tax-sheltered annuity contributions:

20		
21	20 years of credited service	\$15,000
22	21 years of credited service	\$15,500
23	22 years of credited service	\$16,000
24	23 years of credited service	\$16,500
25	24 years of credited service	\$17,000
26	25 years of credited service	\$17,500
27	26 years of credited service	\$18,000
28	27 years of credited service	\$18,500
29	28 years of credited service	\$19,000
30	29 years of credited service	\$19,500
31	30 years or more of credited service	\$20,000
32		

33 (b) Notwithstanding subdivision (a), the amount identified in
34 the schedule in subdivision (a) shall be reduced:

35 (1) By 50 percent for a beneficiary receiving an allowance
36 under Option 3 or Option 7.

37 (2) By one-third for an option beneficiary receiving an
38 allowance under Option 4 after the death of the member or for a
39 member receiving an allowance under Option 4 after the death of
40 the option beneficiary.

1 (3) By 50 percent for an option beneficiary receiving an
2 allowance under Option 5 after the death of the member or for a
3 member receiving an allowance under Option 5 after the death of
4 the option beneficiary.

5 (4) By a percentage equal to 100 percent minus the percentage
6 of the member's modified allowance received by the option
7 beneficiary for each option beneficiary receiving an allowance
8 under Option 8.

9 (5) By 60 percent for a surviving spouse receiving an allowance
10 pursuant to subdivision (a) of Section 23805.

11 (6) By 50 percent for a surviving spouse receiving an allowance
12 pursuant to subdivision (c) of Section 23805 or Section 23855.

13 (c) A benefit shall be paid pursuant to this section if both of the
14 following apply:

15 (1) The retired member, the option beneficiary, or the surviving
16 spouse had an allowance payable on January 1, 2000, and was not
17 eligible to receive a benefit pursuant to Section 24410.5.

18 (2) The retired member or the member whose service was the
19 basis of the allowance payable to the option beneficiary or
20 surviving spouse was one of the following:

21 (A) A member who retired prior to the age of 55 years,
22 provided the minimum allowance specified in subdivision (a) shall
23 be reduced to an amount equal to that minimum allowance
24 multiplied by the ratio of the percentage of final compensation per
25 year of credited service on which the member's initial allowance
26 was based to 1.4.

27 (B) A member who was paid a retirement allowance pursuant
28 to Section 24213, if the member's credited service, excluding
29 service credited pursuant to Sections 22714, 22715, 22717, and
30 22826, was less than 20 years but whose projected service to
31 normal retirement age, excluding service credited pursuant to
32 Sections 22714, 22715, 22717, and 22826, was equal to or greater
33 than 20 years, provided that the minimum allowance payable shall
34 be based on 20 years of credited service.

35 (C) A member who retired as an inactive member.

36 (D) A member who retired prior to March 21, 1974, with 19.5
37 years or more of credited service, provided that the minimum
38 allowance payable shall be based on 20 years of credited service.

39 (E) A member who retired on or after March 21, 1974, and
40 prior to January 1, 2000, and whose credited service, excluding

1 service credited pursuant to Sections 22714, 22715, 22717, and
2 22826, was less than 20 years, but whose credited service,
3 excluding service credited pursuant to Sections 22714, 22715, and
4 22826, but including service credited pursuant to Section 22717,
5 was equal to or greater than 20 years, provided that the minimum
6 allowance payable shall be based on 20 years of credited service.

7 (F) A member whose credited service, excluding service
8 credited pursuant to Sections 22714, 22715, and 22826, but
9 including credited service that a court has ordered be awarded to
10 the member's nonmember spouse pursuant to Section 22652,
11 equaled at least 20 years, provided that the amount payable to the
12 member pursuant to this section shall be based on the amount of
13 service credited to the member, excluding service credited
14 pursuant to Sections 22714, 22715, 22717, and 22826, and the
15 amount awarded to the nonmember spouse, and further provided
16 that the minimum allowance specified in subdivision (a) shall be
17 reduced to an amount equal to that minimum allowance multiplied
18 by the ratio of (i) the amount of service credited to the member,
19 excluding service credited pursuant to Sections 22714, 22715,
20 22717, and 22826, to (ii) the sum of the amount of service credited
21 to the member, excluding service credited pursuant to Sections
22 22714, 22715, 22717, and 22826, and the amount awarded to the
23 nonmember spouse.

24 (d) A benefit shall be paid pursuant to this section to a retired
25 member receiving a benefit pursuant to Section 24410.5 if (1) the
26 member meets the criteria of subparagraph (F) of paragraph (2) of
27 subdivision (c), and (2) the allowance payable under that
28 subparagraph, after the application of all allowances and
29 allowance increases authorized by this part, including those
30 specified in Sections 24412 and 24415, is greater than the
31 allowance payable under Section 24410.5, after the application of
32 all allowances and allowance increases authorized by this part,
33 including those specified in Sections 24412 and 24415.

34 (e) A retired member, option beneficiary, or surviving spouse
35 subject to this section shall receive the annual minimum allowance
36 pursuant to this section unless the system receives in writing, on
37 a form prescribed by the system, notification from the member,
38 option beneficiary, or surviving spouse of his or her election not
39 to receive the increase provided under this section.



(f) Benefits payable under this section shall be initially paid by the system on or before September 1, 2001.

~~SEC. 23.~~

SEC. 25. Section 25011 of the Education Code is amended to read:

25011. (a) A member may elect to receive the retirement benefit as an annuity payable in monthly installments, provided the balance of credits in the member's Defined Benefit Supplement account on the date the retirement benefit becomes payable equals at least three thousand five hundred dollars (\$3,500) after any lump-sum payments have been made from the account.

(b) If the member elects to receive the retirement benefit as an annuity, the member shall elect one of the following forms of payment:

(1) A single life annuity without a cash refund feature. This form of payment is the actuarial equivalent of the amount that would be payable to the member if the member elected to receive the retirement benefit in a lump-sum payment. Upon the death of the member, no other benefit shall be payable to the member's beneficiary under the Defined Benefit Supplement Program.

(2) A single life annuity with a cash refund feature. This form of payment is the actuarial equivalent of the amount that would be payable to the member if the member elected to receive the retirement benefit in a lump-sum payment. Upon the death of the member, an amount equal to the remaining balance, if any, of credits transferred from the member's Defined Benefit Supplement account to the Annuitant Reserve shall be returned in a lump-sum payment to the member's beneficiary.

(3) A 100-percent joint and survivor annuity with a "pop-up" feature. This form of payment is the actuarial equivalent of the lump-sum payment modified to be payable over the combined lives of the member and the member's annuity beneficiary. Upon the death of the member, the same monthly amount that was payable to the member shall be paid monthly to the member's surviving annuity beneficiary. If the annuity beneficiary predeceases the member, the annuity payable to the member shall be the single life annuity with a cash refund feature that would have been payable had the member selected that form of payment at the commencement of the benefit. That single life annuity shall be

1 payable as of the day following the date of the annuity
2 beneficiary's death upon receipt by the system of proof of the
3 annuity beneficiary's death.

4 (4) A 50-percent joint and survivor annuity with a "pop-up"
5 feature. This form of payment is the actuarial equivalent of the
6 lump-sum payment modified to be payable over the combined
7 lives of the member and the member's annuity beneficiary. Upon
8 the death of the member, one-half of the monthly amount that was
9 payable to the member shall be paid monthly to the member's
10 surviving annuity beneficiary. If the annuity beneficiary
11 predeceases the member, the annuity payable to the member shall
12 be the single life annuity with a cash refund feature that would have
13 been payable had the member selected that form of payment at the
14 commencement of the benefit. That single life annuity shall be
15 payable as of the day following the date of the annuity
16 beneficiary's death upon receipt by the system of proof of the
17 annuity beneficiary's death.

18 (5) A period certain annuity. This form of payment is an
19 annuity equal to the actuarial equivalent of the balance of credits
20 in the member's Defined Benefit Supplement account on the date
21 the retirement benefit becomes payable. The annuity shall be
22 payable *in whole year increments* over a period of years specified
23 by the member, from a minimum of three years to a maximum of
24 10 years. However, the annuity period shall not exceed the life
25 expectancy of the member, or the life expectancy of the member
26 and the member's annuity beneficiary. If the member's death
27 occurs prior to the end of the period certain, the remaining balance
28 of payments shall be paid to the member's annuity beneficiary
29 pursuant to Section 25022.

30 ~~SEC. 24.~~

31 *SEC. 26.* Section 25014 of the Education Code is amended to
32 read:

33 25014. (a) If a member reinstates from service retirement
34 under this part, payment of a retirement annuity based on the
35 balance of credits that was transferred from the member's Defined
36 Benefit Supplement account to the Annuitant Reserve shall
37 terminate. The member's Defined Benefit Supplement account
38 shall be credited with the actuarial equivalent of the member's
39 annuity as of the date the annuity is terminated and the Annuitant



1 Reserve shall be reduced by the amount credited to the member's
2 account.

3 (b) If the member subsequently retires again, an annuity or
4 lump-sum payment based on the remaining balance of credits in
5 the member's Defined Benefit Supplement account at the time of
6 the subsequent retirement shall become payable pursuant to
7 Section 24202.5 and the balance of credits in the member's
8 Defined Benefit Supplement account shall be transferred to the
9 Annuitant Reserve or paid to the member in the form of a
10 lump-sum payment.

11 ~~SEC. 25.~~

12 *SEC. 27. Section 25015 of the Education Code is amended to*
13 *read:*

14 25015. (a) If a member elects to receive a benefit payable
15 under the Defined Benefit Supplement Program as a joint and
16 survivor annuity, the designation of the beneficiary made pursuant
17 to Section 24300 *or* 24301 shall apply to the benefit payable under
18 this chapter. The annuity beneficiary designation shall not be
19 changed after the date the benefit becomes payable to the member,
20 except as provided in Chapter 12 (commencing with Section
21 22650).

22 (b) If the member designates multiple annuity beneficiaries in
23 the designation of beneficiary made pursuant to Section 24300 *or*
24 24301, the percentage of the annuity payable to each annuity
25 beneficiary upon the death of the member specified in that
26 designation shall apply to the benefit payable under this chapter.
27 The annuity amount payable to the member during his or her
28 lifetime shall be modified to be payable over the combined lives
29 of the member and the annuity beneficiary or beneficiaries.

30 (c) If the member predeceases an annuity beneficiary, the
31 annuity beneficiary may designate a payee to receive an amount
32 that may be payable in a lump-sum pursuant to Section 25023 upon
33 the death of the annuity beneficiary.

34 *SEC. 28. Section 25018 of the Education Code is amended to*
35 *read:*

36 25018. (a) A member may elect to receive the disability
37 benefit as an annuity, payable in monthly installments, provided
38 the balance of credits in the member's Defined Benefit
39 Supplement account on the date the disability benefit becomes
40 payable equals at least three thousand five hundred dollars

1 (\$3,500) after any lump-sum payment has been made from this
2 account.

3 (b) If the member elects to receive the disability benefit as an
4 annuity, the member shall elect one of the following forms of
5 payment:

6 (1) A single life annuity without a cash refund feature. This
7 form of payment is the actuarial equivalent of the amount that
8 would be payable to the member if the member elected to receive
9 the disability benefit in a lump-sum payment. Upon the death of
10 the member, no other benefit shall be payable to the member's
11 beneficiary under the Defined Benefit Supplement Program.

12 (2) A single life annuity with a cash refund feature. This form
13 of payment is the actuarial equivalent of the amount that would be
14 payable to the member if the member elected to receive the
15 disability benefit in a lump-sum payment. Upon the death of the
16 member, an amount equal to the remaining balance of credits, if
17 any, transferred from the member's Defined Benefit Supplement
18 account to the Annuitant Reserve shall be returned in a lump-sum
19 payment to the member's beneficiary.

20 (3) A 100-percent joint and survivor annuity with a "pop-up"
21 feature. This form of payment is the actuarial equivalent of the
22 lump-sum payment modified to be payable over the combined
23 lives of the member and the member's annuity beneficiary. Upon
24 the death of the member, the same monthly amount that was
25 payable to the member shall be paid monthly to the member's
26 surviving annuity beneficiary. If the annuity beneficiary
27 predeceases the member, the annuity payable to the member shall
28 be the single life annuity with a cash refund feature that would have
29 been payable had the member selected that form of payment at the
30 commencement of the benefit. That single life annuity shall be
31 payable as of the day following the date of the annuity
32 beneficiary's death upon receipt by the system of proof of the
33 annuity beneficiary's death.

34 (4) A 50-percent joint and survivor annuity with a "pop-up"
35 feature. This form of payment is the actuarial equivalent of the
36 lump-sum payment modified to be payable over the combined
37 lives of the member and the member's annuity beneficiary. Upon
38 the death of the member, one-half of the monthly amount that was
39 payable to the member shall be paid monthly to the member's
40 surviving annuity beneficiary. If the annuity beneficiary



1 predeceases the member, the annuity payable to the member shall
2 be the single life annuity with a cash refund feature that would have
3 been payable had the member selected that form of payment at the
4 commencement of the benefit. That single life annuity shall be
5 payable as of the day following the date of the annuity
6 beneficiary's death upon receipt by the system of proof of the
7 annuity beneficiary's death.

8 (5) A period certain annuity. This form of payment is an
9 annuity equal to the actuarial equivalent of the balance of credits
10 in the member's Defined Benefit Supplement account on the date
11 the disability benefit becomes payable. The annuity shall be
12 payable *in whole year increments* over a period of years specified
13 by the member, from a minimum of three years to a maximum of
14 10 years. However, the annuity period shall not exceed the life
15 expectancy of the member, or the life expectancy of the member
16 and the member's annuity beneficiary. If the member's death
17 occurs prior to the end of the period certain, the remaining balance
18 of payments shall be paid to the member's annuity beneficiary
19 pursuant to Section 25022.

20 ~~SEC. 26.~~

21 *SEC. 29.* Section 25019 of the Education Code is amended to
22 read:

23 25019. (a) If a member's disability allowance or disability
24 retirement allowance under this part is terminated, payment of a
25 disability annuity based on the balance of credits transferred from
26 the member's Defined Benefit Supplement account to the
27 Annuitant Reserve also shall terminate. The member's Defined
28 Benefit Supplement account shall be credited with the actuarial
29 equivalent of the member's annuity as of the date the annuity is
30 terminated and the Annuitant Reserve shall be reduced by the
31 amount credited to the member's account.

32 (b) If a disability allowance or a service or disability retirement
33 allowance subsequently becomes payable again, an annuity or
34 lump-sum payment based on the remaining balance of credits in
35 the member's Defined Benefit Supplement account at the time of
36 the subsequent disability or service or disability retirement
37 becomes payable and the balance of credits in the member's
38 Defined Benefit Supplement account shall be transferred to the
39 Annuitant Reserve or paid to the member in the form of a
40 lump-sum payment.

1 ~~SEC. 27.~~

2 *SEC. 30.* Section 25021 of the Education Code is amended to
3 read:

4 25021. (a) A beneficiary, other than an entity, may elect to
5 receive the final benefit payable under the Defined Benefit
6 Supplement Program as an annuity payable in monthly
7 installments provided the balance of credits in the member's
8 Defined Benefit Supplement account equals at least three thousand
9 five hundred dollars (\$3,500).

10 (b) A beneficiary who elects to receive an annuity shall elect
11 one of the following forms of payment:

12 (1) A single life annuity without a cash refund feature. This
13 form of payment is the actuarial equivalent of the amount that
14 would be payable to the beneficiary if the beneficiary elected to
15 receive the final benefit in a lump-sum payment. The annuity shall
16 cease to be payable upon the death of the beneficiary, and no other
17 benefit shall be payable under the Defined Benefit Supplement
18 Program on account of the death of the member or the member's
19 beneficiary.

20 (2) A period certain annuity. This form of payment is an
21 annuity equal to the actuarial equivalent of the balance of credits
22 in the member's Defined Benefit Supplement account on the date
23 of the member's death. The annuity shall be payable *in whole year*
24 *increments* over a period of years specified by the beneficiary,
25 from a minimum of three years to a maximum of 10 years, but not
26 to exceed the life expectancy of the beneficiary. The beneficiary
27 may designate a payee to receive the remaining balance of
28 payments if the beneficiary's death occurs prior to the end of the
29 period certain.

30 ~~SEC. 28.~~

31 *SEC. 31.* The heading of Article 6 (commencing with Section
32 25024) of Chapter 38 of Part 13 of Division 1 of the Education
33 Code is amended and renumbered to read:

34
35 Article 7. Termination Benefits

36
37 ~~SEC. 29.~~

38 *SEC. 32.* Section 25921 is added to the Education Code, to
39 read:

25921. “Employer” means the state or any agency or political subdivision thereof for which creditable service subject to coverage by the plan is performed.

SEC. 33. Section 25925 of the Education Code is amended to read:

25925. “Member” means a current or retired employee of an employer, as defined in Section ~~22434~~ 25921.

SEC. 34. Section 25926 is added to the Education Code, to read:

25926. “School year” means the fiscal year or the academic year.

~~SEC. 30.~~

SEC. 35. Section 25930 of the Education Code is amended to read:

25930. There is in the State Treasury a special trust fund to be known as the Teachers’ Health Benefits Fund. There shall be deposited in the fund the employer contributions required under subdivision (c) of Section 22950, income on investments, other interest income, income from fees and penalties, premiums paid by members, donations, legacies, bequests made to the fund and accepted by the board, and any other amounts provided by this part. Notwithstanding Section ~~11340~~ 13340 of the Government Code, the proceeds of the fund are hereby continuously appropriated without regard to fiscal year for purposes of this part. The design and administration of the fund and any program financed from the fund shall comply with Section 115 of Title 26 of the United States Code.

SEC. 36. The heading of Chapter 4 (commencing with Section 25940) of Part 13.5 of Division 1 of the Education Code is amended to read:

CHAPTER 4. MEDICARE PREMIUM ~~PAYMENTS~~ PAYMENT PROGRAM

~~SEC. 31.~~

SEC. 37. Section 25940 of the Education Code is amended to read:

25940. (a) Effective July 1, 2001, the system shall pay to the federal Health Care Financing Administration the premiums associated with Medicare Part A for retired members described in this section.

(b) This section shall apply only to a retired member of the Defined Benefit Program who: (1) *retired prior to January 1, 2001*, (2) is not eligible for Medicare Part A without payment of a premium, (3) is at least 65 years of age, and (4) enrolled in Medicare Parts A and B .

(c) The board may extend eligibility for the payments described in this section to members of the Defined Benefit Program who meet the requirements of subdivision (d) and who retire on or after January 1, 2001, within a school year specified by the board, if the board finds that the cost of the payments for members retiring during the specified school year may be paid within the anticipated resources available in the fund, as determined by the actuarial valuation of the program established by this chapter. Any extension of eligibility to members who retire on or after January 1, 2001, shall be provided equally to any member who meets the requirements of subdivision (d) and retires during the school year specified by the board.

(d) (1) Eligibility for the payments described in this section pursuant to subdivision (c) shall be limited to members of the Defined Benefit Program who retire from ~~a school district~~ *an employer* that either: (A) completed a division pursuant to Section 22156 of the Government Code prior to January 1, 2001; or (B) completed or is conducting a division pursuant to that section on or after January 1, 2001, and, if the member was less than 58 years of age at the time of the division, the member elected to be covered by Medicare.

(2) For purposes of paragraph (1), a division occurs during the 10-day period during which the member has the opportunity to elect to be covered by Medicare pursuant to Section 22156 of the Government Code.

(3) This subdivision shall not apply to a member who retires from a district that either (A) as of January 1, 2001, had no members who were less than 58 years of age and who were hired prior to April 1, 1986, or (B) was created pursuant to a formation or a reorganization on or after April 1, 1986, and prior to January 1, 2001.

(e) The amount paid to the federal Health Care Financing Administration pursuant to this section shall include any surcharges applicable to enrollment in Medicare Part A or Part B by members who retired prior to January 1, 2001, and who

1 enrolled in Medicare Parts A and B after the age of 65 years and
2 prior to July 1, 2001. If the system pays the Part A premium and
3 Part B surcharges on behalf of a member and that member later
4 becomes eligible for Part A coverage without payment of a
5 premium, the system shall continue to pay any applicable Part B
6 surcharges on behalf of that member. The board may require a
7 member on whose behalf a surcharge would be paid pursuant to
8 this subdivision to authorize the system to deduct the Part B
9 premium from the member's retirement allowance as a condition
10 of having the system pay the Part A premium pursuant to this
11 section.

12 ~~SEC. 32.~~

13 SEC. 38. Section 26401 of the Education Code is amended to
14 read:

15 26401. (a) A member of the Defined Benefit Program who is
16 employed to perform creditable service for less than 50 percent of
17 the full-time equivalent for the position for an employer that
18 provides the Cash Balance Benefit Program may elect to become
19 a participant for creditable service subject to coverage under the
20 Cash Balance Benefit Program for that employer provided that the
21 creditable service is not performed for the same employer with
22 whom the member is also subject to mandatory membership in the
23 Defined Benefit Program.

24 (b) The election shall be made on a form prescribed by the
25 system and shall be filed with the employer within 60 calendar
26 days of the later of the first day of employment with an employer
27 that provides the Cash Balance Benefit Program, the date of the
28 employer's governing board's action to provide the Cash Balance
29 Benefit Program, or the effective date of the employer's governing
30 board's action to provide the Cash Balance Benefit Program.

31 (c) Employers shall make available to employees specified in
32 subdivision (a) information and forms provided by the system for
33 making an election regarding participation, and shall maintain the
34 written election by the employee in employer files. The election
35 shall become effective on the first day of the pay period following
36 the pay period in which the election is made.

37 (d) If an election is made pursuant to subdivision (a) and the
38 participant's basis of employment with that employer changes to
39 employment to perform creditable service for 50 percent or more
40 of the full-time equivalent for the position, contributions to the



1 Cash Balance Benefit Program on behalf of the participant shall no
2 longer be made and creditable service performed for that employer
3 shall be subject to coverage under the Defined Benefit Program as
4 of the first day of the pay period in which the change in the
5 participant's basis of employment occurred, except as provided in
6 Section 26402.

7 ~~SEC. 33.~~

8 *SEC. 39.* Section 26807 of the Education Code is amended to
9 read:

10 26807. (a) Upon application for a retirement benefit under
11 this part, the participant may elect to receive the retirement benefit
12 in the form of an annuity, provided the sum of the employee
13 account and employer account equals or exceeds three thousand
14 five hundred dollars (\$3,500).

15 (b) If the participant elects to receive the retirement benefit as
16 an annuity, the participant shall elect one of the following forms
17 of payment:

18 (1) A single life annuity ~~with~~ *without* a cash refund feature.
19 This form of payment is the actuarial equivalent of the amount that
20 would be payable to the participant if the participant elected to
21 receive the retirement benefit in a lump-sum payment. This benefit
22 shall be payable for the life of the participant ~~and any balance~~
23 ~~remaining upon the death of the participant shall be payable in a~~
24 ~~lump sum to the participant's beneficiary. . Upon the death of the~~
25 ~~participant, no other benefit shall be payable to any beneficiary~~
26 ~~under this part.~~

27 (2) A single life annuity ~~without~~ *with* a cash refund feature.
28 This form of payment is the actuarial equivalent of the amount that
29 would be payable to the participant if the participant elected to
30 receive the retirement benefit in a lump-sum payment. This benefit
31 shall be payable for the life of the participant. ~~Upon the death of~~
32 ~~the participant, no other benefit shall be payable to any beneficiary~~
33 ~~under this part. and any balance remaining upon the death of the~~
34 ~~participant shall be payable in a lump sum to the participant's~~
35 ~~beneficiary.~~

36 (3) A 100-percent joint and survivor annuity with a "pop-up"
37 feature. This form of payment is the actuarial equivalent of the
38 amount that would be payable to the participant if the participant
39 elected to receive the retirement benefit in a lump-sum payment,
40 modified to be payable over the combined lives of the participant

1 and the participant's annuity beneficiary. Upon the death of the
2 participant, the monthly amount that was payable to the participant
3 shall be paid monthly to the participant's annuity beneficiary. If the
4 annuity beneficiary predeceases the participant, the annuity
5 payable to the participant shall be the single life annuity with a cash
6 refund feature that would have been payable had the participant
7 selected that form of payment at the commencement of the benefit.
8 That single life annuity shall be payable as of the day following the
9 date of the annuity beneficiary's death upon receipt by the system
10 of proof of the annuity beneficiary's death.

11 (4) A 50-percent joint and survivor annuity with a "pop-up"
12 feature. This form of payment is the actuarial equivalent of the
13 amount that would be payable to the participant if the participant
14 elected to receive the retirement benefit in a lump-sum payment,
15 modified to be payable over the combined lives of the participant
16 and the participant's annuity beneficiary. Upon the death of the
17 participant, one-half of the monthly amount that was payable to the
18 participant shall be paid monthly to the participant's annuity
19 beneficiary. If the annuity beneficiary predeceases the participant,
20 the annuity payable to the participant shall be the single life
21 annuity with a cash refund feature that would have been payable
22 had the participant selected that form of payment at the
23 commencement of the benefit. That single life annuity shall be
24 payable as of the day following the date of the annuity
25 beneficiary's death upon receipt by the system of proof of the
26 annuity beneficiary's death.

27 (5) A period certain annuity. This form of payment is an
28 annuity equal to the actuarial equivalent of the sum of the balance
29 of the employee account and the employer account on the date the
30 retirement benefit becomes payable. The annuity shall be payable
31 *in whole year increments* over a period of years specified by the
32 participant, from a minimum of three years to a maximum of 10
33 years. However, the annuity period shall not exceed the life
34 expectancy of the participant or of the participant and the
35 participant's annuity beneficiary. If the participant's death occurs
36 prior to the end of the period certain, the remaining balance of
37 payments shall be paid to the participant's annuity beneficiary
38 pursuant to Section 27007.

39 ~~SEC. 34.~~

1 SEC. 40. Section 26906 of the Education Code is amended to
2 read:

3 26906. (a) Upon application for a disability benefit under
4 this part, the participant may elect to receive the disability benefit
5 in the form of an annuity provided the sum of the employee
6 account and employer account equals or exceeds three thousand
7 five hundred dollars (\$3,500).

8 (b) If the participant elects to receive the disability benefit as
9 an annuity, the participant shall elect one of the following forms
10 of payment:

11 (1) A single life annuity ~~with~~ *without* a cash refund feature.
12 This form of payment is the actuarial equivalent of the amount that
13 would be payable to the participant if the participant elected to
14 receive the disability benefit in a lump-sum payment. This benefit
15 shall be payable for the life of the participant ~~and any balance~~
16 ~~remaining upon the death of the participant shall be payable in a~~
17 ~~lump sum to the participant's beneficiary. . Upon the death of the~~
18 ~~participant, no other benefit shall be payable to any beneficiary~~
19 ~~under this part.~~

20 (2) A single life annuity ~~without~~ *with* a cash refund feature.
21 This form of payment is the actuarial equivalent of the amount that
22 would be payable to the participant if the participant elected to
23 receive the disability benefit in a lump-sum payment. This benefit
24 shall be payable for the life of the participant. ~~Upon the death of~~
25 ~~the participant, no other benefit shall be payable to any beneficiary~~
26 ~~under this part. and any balance remaining upon the death of the~~
27 ~~participant shall be payable in a lump sum to the participant's~~
28 ~~beneficiary.~~

29 (3) A 100-percent joint and survivor annuity with a “pop-up”
30 feature. This form of payment is the actuarial equivalent of the
31 amount that would be payable to the participant if the participant
32 elected to receive the disability benefit in a lump-sum payment,
33 modified to be payable over the combined lives of the participant
34 and the participant's annuity beneficiary. Upon the death of the
35 participant, the monthly amount that was payable to the participant
36 shall be paid monthly to the participant's annuity beneficiary. If the
37 annuity beneficiary predeceases the participant, the annuity
38 payable to the participant shall be the single life annuity with a cash
39 refund feature that would have been payable had the participant
40 selected that form of payment at the commencement of the benefit.

1 That single life annuity shall be payable as of the day following the
2 date of the annuity beneficiary's death upon receipt by the system
3 of proof of the annuity beneficiary's death.

4 (4) A 50-percent joint and survivor annuity with a "pop-up"
5 feature. This form of payment is the actuarial equivalent of the
6 amount that would be payable to the participant if the participant
7 elected to receive the disability benefit in a lump-sum payment,
8 modified to be payable over the combined lives of the participant
9 and the participant's annuity beneficiary. Upon the death of the
10 participant, one-half of the monthly amount that was payable to the
11 participant shall be paid monthly to the participant's annuity
12 beneficiary. If the annuity beneficiary predeceases the participant,
13 the annuity payable to the participant shall be the single life
14 annuity with a cash refund feature that would have been payable
15 had the participant selected that form of payment at the
16 commencement of the benefit. That single life annuity shall be
17 payable as of the day following the date of the annuity
18 beneficiary's death upon receipt by the system of proof of the
19 annuity beneficiary's death.

20 (5) A period certain annuity. This form of payment is an
21 annuity equal to the actuarial equivalent of the sum of balance of
22 the employee account and the employer account on the date the
23 disability benefit becomes payable. The annuity shall be payable
24 *in whole year increments* over a period of years specified by the
25 participant, from a minimum of three years to a maximum of 10
26 years. However, the annuity period shall not exceed the life
27 expectancy of the participant or of the participant and the
28 participant's annuity beneficiary. If the participant's death occurs
29 prior to the end of the period certain, the remaining balance of
30 payments shall be paid to the participant's annuity beneficiary
31 pursuant to Section 27007.

32 ~~SEC. 35.~~

33 *SEC. 41. Section 26911 of the Education Code is amended to*
34 *read:*

35 26911. If a participant who is receiving a disability annuity
36 under this part becomes reemployed prior to 60 years of age to
37 perform creditable service subject to coverage by the Cash
38 Balance Benefit Program or the Defined Benefit Program, the
39 disability annuity shall be terminated. *The participant's employee*
40 *account and employer account shall be credited with the actuarial*

1 *equivalent of the participant's annuity as of the date of*
2 *reemployment and the Annuitant Reserve shall be reduced by the*
3 *amount credited to those accounts.*

4 SEC. 42. Section 27004 of the Education Code is repealed.

5 ~~SEC. 36.~~

6 SEC. 43. Section 27004 is added to the Education Code, to
7 read:

8 27004. (a) A beneficiary, other than an entity, may elect to
9 receive the final benefit payable under the Cash Balance Benefit
10 Program as an annuity payable in monthly installments provided
11 that sum of the employee account and the employer account equals
12 at least three thousand five hundred dollars (\$3,500).

13 (b) A beneficiary who elects to receive an annuity pursuant to
14 this section shall elect one of the following forms of payment:

15 (1) A single life annuity without a cash refund feature. This
16 form of payment is the actuarial equivalent of the amount that
17 would be payable to the beneficiary if the beneficiary elected to
18 receive the final benefit in a lump-sum payment. This benefit shall
19 be payable for the life of the beneficiary. Upon the death of the
20 beneficiary, no other benefit shall be payable under this part on
21 account of the death of the participant or the beneficiary.

22 (2) A period certain annuity. This form of payment is an
23 annuity equal to the actuarial equivalent of the sum of the balance
24 of the employee account and the employer account on the date of
25 the participant's death. The annuity shall be payable *in whole year*
26 *increments* over a period of years specified by the beneficiary,
27 from a minimum of three years to a maximum of 10 years.
28 However, the annuity period shall not exceed the life expectancy
29 of the beneficiary. The beneficiary may designate a payee to
30 receive the remaining balance of payments if the beneficiary dies
31 prior to the end of the period certain.

32 ~~SEC. 37.~~

33 SEC. 44. Section 27007 of the Education Code is amended to
34 read:

35 27007. (a) If the participant died while receiving an annuity
36 under this part, the death benefit shall be payable in accordance
37 with the terms of the annuity elected by the participant.

38 (b) Upon the death of a participant who elected a single life
39 annuity with a cash refund feature under this part, any balance

1 remaining in the participant's employee account and employer
2 account shall be payable in a lump sum to the beneficiary.

3 (c) Upon the death of a participant who elected a single life
4 annuity without a cash refund feature under this part, no death
5 benefit shall be payable.

6 (d) Upon the death of a participant who elected a joint and
7 survivor annuity under this part, the annuity shall continue for life
8 to the surviving beneficiary under the joint and survivor option. If
9 the beneficiary under the joint and survivor option has predeceased
10 the participant, no death benefit shall be payable.

11 (e) Upon the death of a participant who elected a period certain
12 annuity under this part prior to the completion of annuity payments
13 due the participant, the remaining balance *of payments* shall be
14 paid to the beneficiary designated by the participant.

15 ~~SEC. 38.~~

16 *SEC. 45.* Section 27008 of the Education Code is amended to
17 read:

18 27008. Upon the death of a beneficiary who was receiving an
19 annuity under this part due to the death of a participant, payment
20 shall be made as follows:

21 (a) Upon the death of a beneficiary under a joint and survivor
22 option, no amount shall be payable.

23 (b) Upon the death of a beneficiary who elected a single life
24 annuity without a cash refund feature, no amount shall be payable.

25 (c) Upon the death of a beneficiary who was receiving a period
26 certain annuity, the actuarial equivalent of the remaining balance
27 of payments shall be paid in a lump sum to the estate of the
28 beneficiary unless the beneficiary designated a payee to receive
29 the remaining balance of payments as provided in Section 27004.

30 ~~SEC. 39.~~

31 *SEC. 46.* Section 22878.2 of the Government Code is
32 amended to read:

33 22878.2. (a) A school or agency may by resolution filed with
34 the board deem all permanent or regular employees, except
35 members or participants of the State Teachers' Retirement Plan,
36 who have an appointment of six months or longer but who are
37 employed on a less than half-time basis, to be employees subject
38 to this part.

39 (b) An agency or school with employees who are members or
40 participants of the State Teachers' Retirement Plan may by

1 resolution filed with the board deem any of the following to be
2 employees subject to this part:

3 (1) Regular, permanent, probationary, or temporary employees
4 or substitutes who have an appointment for a semester, or for six
5 months, or for half of the school year or longer, but are employed
6 on a less than a half-time basis.

7 (2) Substitutes who have an appointment for 100 days or more
8 in the school year.

9 ~~SEC. 40.~~

10 *SEC. 47.* Section 22878.3 of the Government Code is
11 amended to read:

12 22878.3. As used in this part, the term “annuitant” shall
13 include:

14 (a) A family member of a deceased retired member or
15 participant of the State Teachers’ Retirement Plan who retired
16 within 120 days of separation from employment, and who at the
17 time of his or her death, was receiving a retirement allowance that
18 did not provide for a survivor allowance to family members and
19 who elects coverage as an annuitant prior to January 1, 2003. This
20 subdivision shall not apply to any family member of a retired
21 member or participant of the State Teachers’ Retirement Plan who
22 retired on or after January 1, 2003, from a school contracting under
23 this part prior to January 1, 2001.

24 (b) A family member of a deceased retired member or
25 participant of the State Teachers’ Retirement Plan who retired
26 within 120 days of separation from employment, who retired
27 before the member’s or participant’s school elected to contract for
28 health benefit coverage under this part, and who, at the time of his
29 or her death, was receiving a retirement allowance that did not
30 provide for a survivor allowance to family members and who
31 elects coverage as an annuitant within one calendar year from the
32 date that the member’s or participant’s school elected to contract
33 for health benefit coverage under this part.

34 *SEC. 48. Any section of any act enacted by the Legislature*
35 *during the 2001 calendar year that takes effect on or before*
36 *January 1, 2002, and that amends, amends and renumbers, adds,*
37 *repeals and adds, or repeals a section that is amended, amended*
38 *and renumbered, added repealed and added, or repealed by this*



- 1 *act, shall prevail over this act, whether that act is enacted prior to,*
- 2 *or subsequent to, the enactment of this act.*

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